

IN RE: KENTUCKY RIVER AUTHORITY

MEETING NO. 140

August 15, 2080
1:00 P.M.
Bush Building
503 Wapping Street
Frankfort, Kentucky

APPEARANCES

Mr. Robert Ware
CHAIRMAN

Mr. Randall Christopher
Judge Executive Ted L. Collins
Mr. Warner J. Caines
Mr. Daryl E. Newby
Mayor Michael D. Miller
Dr. Donald C. Haney
Deputy Sec. Glenn Mitchell
Proxy for Secretary Jonathan Miller
Ms. Valerie Hudson
Proxy for Secretary Robert D. Vance
MEMBERS OF THE KENTUCKY
RIVER AUTHORITY

Mr. Stephen Reeder
EXECUTIVE DIRECTOR

Mr. Don Morse
Mr. David Hamilton
Mr. Earl Gulley
Ms. Sue Ann Elliston
KENTUCKY RIVER AUTHORITY STAFF

CAPITAL CITY COURT REPORTING

TERRI H. PELOSI, COURT REPORTER
900 CHESTNUT DRIVE
FRANKFORT, KENTUCKY 40601
(502) 223-1118

GUESTS PRESENT

Ms. Vicki Goins
Mr. Don Hassall
Ms. Pat Banks
Mr. Jeff Dingrando
Mr. Craig Avery

AGENDA

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INDEX OF MOTIONS

**MOTION TO APPOINT WARNER CAINES AS
SECRETARY OF KRAPAGE 4, LINE 23**

CHAIRMAN WARE: Do I hear a nomination?
MAYOR MILLER: I'll nominate Warner.
MR. CHRISTOPHER: Second.
CHAIRMAN WARE: We've got a nomination for Warner Caines and a second. Are there any further nominations? This probably could be by acclamation, but all those in favor of Warner Caines as our Secretary, let it be known by saying aye. Any opposition by a like sign.

MOTION TO APPROVE KRA MINUTES #139.....PAGE 5, LINE 11

CHAIRMAN WARE: We'll move on to the second item on our agenda and that's the approval of the minutes of our last meeting.
MAYOR MILLER: So moved.
CHAIRMAN WARE: I've got a motion to approve those minutes.
MR. MITCHELL: Second.
CHAIRMAN WARE: And a second. All those in favor, let it be known by saying aye. Any opposition? Those minutes pass.

MOTION TO APPROVE FINANCIAL STATEMENTPAGE 13, LINE 10

CHAIRMAN WARE: Does anybody have any questions for Don? If not, I'll entertain a motion to approve his Financial Report.
DR. HANEY: So moved.
MAYOR MILLER: Second.
CHAIRMAN WARE: I've got a motion and a second. All in favor, say aye. Any opposition by a like sign. Motion carries.

**MOTION TO APPROVE CONTRACT WITH AUDITOR OF
PUBLIC ACCOUNTS TO PERFORM FY '08 AUDITPAGE 13, LINE 19**

MR. MORSE: We had one action item we wanted to bring to you for approval. By statute, we're required to have an annual audit of our financial activity. So, this will be for the year ended June 30 of this year.

The Auditor of Public Accounts has first call on whether they audit state agencies or whether they allow you to contract outside services. They elected this year to perform the audit as they have with the prior two years.

And they have given us a proposal -- it's about the same as last year -- an estimated cost of \$11,000, or it works out to about \$47 per hour for their services. And I want to bring that to you for approval before we actually initiate a contract.

MR. CHRISTOPHER: So moved.

MR. MITCHELL: Second.

CHAIRMAN WARE: I have a recommendation and a motion and a second on that. Any discussion?

All in favor, say aye. Any opposition?
Motion carries.

**MOTION TO ADOPT LISTING OF POSSIBLE KRA PROJECTS AS
BLUEPRINT FOR PRIORITY PROJECTS, PENDING THE
AVAILABILITY OF FUNDINGPAGE 75, LINE 16**

DR. HANEY: Would it be legitimate to give blanket approval upon your discretion?

MR. REEDER: I would recommend blanket approval of the list of projects; and before we commence any actual expenditures, come back to the Board and advise the Board which ones we want to pick out.

MAYOR MILLER: With the exception of the ones that we've already--

MR. REEDER: Yes, sir. It includes any of these, any and all of these things.

And the three things that I said before that are already in the capital plan and they are referenced in the budget document is Dam 3, Lock 3 and Lock 4. Technically, they don't require approval. You can take them out of there if you want to because they're already approved.

MAYOR MILLER: Well, I'll make that motion.

DR. HANEY: Second.

CHAIRMAN WARE: The motion is to formally adopt this as a blueprint of priorities, pending availability of the funding.

MR. REEDER: Exactly.

CHAIRMAN WARE: Now, does that incorporate the work at 10 since it's listed here or should we do something separate on that?

MR. REEDER: Well, it is listed in here. So, we won't have to have anything separate on it.

CHAIRMAN WARE: So, just incorporate that?

MR. REEDER: Yes, incorporate it into it, yeah. The only difference between it and the rest of them, we definitely have money for that.

MAYOR MILLER: That's this same pot of money we did the other valves and stuff with, right?

MR. REEDER: Yes, basically.

CHAIRMAN WARE: Okay. Mike has made the motion and Don seconded it to adopt this as the Board's blueprint for upcoming projects, pending availability of funding. Does everybody understand the motion?

MR. CHRISTOPHER: And we'll come back to the Board when we receive funding in order to prioritize which one of these we can do?

CHAIRMAN WARE: Yes. Any discussion on the motion?

MR. MITCHELL: Does that provide Mr. Reeder the authority he needs, that wording?

MR. REEDER: Yes.

DR. HANEY: Call for the question.

CHAIRMAN WARE: All those in favor, let it be known by saying aye. Any opposition by a like sign. Motion carries.

MOTION TO ADJOURNPAGE 79, LINE 25

MR. COLLINS: Move to adjourn.

CHAIRMAN WARE: I have a motion to adjourn.

MR. CAINES: I'll second it.

CHAIRMAN WARE: We're adjourned.

1 CHAIRMAN WARE: Good afternoon,
2 ladies and gentlemen. I'll call this 140th meeting of the
3 Kentucky River Authority to order.

4 You all should have gotten a packet of
5 information and then some additional information provided to
6 you on the table for today's meeting.

7 You can probably look around and notice
8 that there's been some changes since our last meeting. Bill
9 Grier and L.C. Reese are no longer with us. In their place,
10 we have new appointments.

11 Judge Ted Collins is here representing
12 a County Judge. And a familiar face to some of us, Don Haney
13 is now a new member of the Board -- a lot of experience. I
14 don't know how many years you were with the Authority, Don,
15 but it was several. Don is the former State Geologist and we
16 welcome him back.

17 DR. HANEY: Thank you.

18 CHAIRMAN WARE: It's not on your
19 agenda, but the first order of business, since we lost Bill
20 Grier and we may have to have some things signed along the
21 way, is to elect a Secretary to replace Bill.

22 The only caveat to that is that
23 individual needs to be accessible probably on an impromptu
24 basis more or less. So, I guess I'll open the floor for

1 nominations or for volunteers for nominations.

2 MR. REEDER: I would say, Mr. Chairman,
3 that the Secretary of the organization probably has very
4 little to do except when we sell bonds or notes. And when we
5 do that, it's imperative that the Secretary sign it. It's
6 required by law, required by the bond houses and so forth.
7 And the Chairman and the Secretary have to be fairly
8 accessible to us.

9 The anticipation notes that we sold for
10 Dam No. 9 had to be signed within a very, very short period
11 of time, like a day's notice. So, it has to be somebody who
12 is fairly close by geographically or should be in that one
13 position. We don't have any trouble finding Bob. He's in
14 Lawrenceburg. He's retired.

15 MR. CHRISTOPHER: Warner is real close.

16 CHAIRMAN WARE: We've got Warner, and
17 Daryl has got to be in town five days a week, too. So,
18 that's two somewhat logical candidates.

19 MR. CHRISTOPHER: That's what I'm
20 thinking about. How about it, guy?

21 CHAIRMAN WARE: Warner is Treasurer,
22 but I guess you could serve in both capacities.

23 MR. CAINES: It's whatever.

24 CHAIRMAN WARE: Do I hear a nomination?

1 MAYOR MILLER: I'll nominate Warner.

2 MR. CHRISTOPHER: Second.

3 CHAIRMAN WARE: We've got a nomination
4 for Warner Caines and a second. Are there any further
5 nominations? This probably could be by acclamation, but all
6 those in favor of Warner Caines as our Secretary, let it be
7 known by saying aye. Any opposition by a like sign.

8 DR. HANEY: So, it's now Secretary and
9 Treasurer?

10 CHAIRMAN WARE: Yes. We'll move on to
11 the second item on our agenda and that's the approval of the
12 minutes of our last meeting.

13 MAYOR MILLER: So moved.

14 CHAIRMAN WARE: I've got a motion to
15 approve those minutes.

16 MR. MITCHELL: Second.

17 CHAIRMAN WARE: And a second. All
18 those in favor, let it be known by saying aye. Any
19 opposition? Those minutes pass. We'll have Don Morse give
20 us a Financial Report.

21 MR. MORSE: The statements in your
22 package today are for the months of May and June which
23 represent the last two months of our fiscal period. So, I'll
24 try to hit just a few highlights for the entire year off

1 those two statements, primarily off the June statement.

2 Those of you that are familiar with our
3 revenue stream, we do have two fee sources -- Tier I and Tier
4 II. The statement showing for the Tier II is going to page 2
5 of your statement.

6 You'll note that for the year, we
7 exceeded our budget receipts by 5.7% or \$53,000. So, we had
8 a good year last year from the revenue side.

9 And the budgeted amount was based on
10 the last five-year average of receipts. So, we are seeing a
11 slight growth trend for basin-wide water use.

12 A little caveat to that. Last year was
13 a much drier year than what we've seen thus far in '08. So,
14 I wouldn't project that those trends would hold given the
15 weather patterns. We see more of a fluctuation in revenues
16 due to weather than we do from population growth. So, as
17 weather goes, so does our receipts.

18 On the Tier II side, the fees that are
19 reserved for dam maintenance, we were up \$15,000 over budget
20 level or about 3.4%. So, a little lesser growth in the water
21 use from the river than we did from the basin as a whole from
22 all sources.

23 Those funds are designated now
24 primarily for debt service cost since we started a debt

1 financing program on our capital projects. And you will
2 remember that we did implement a rate change effective April
3 1st of this year. We changed our rates from 1.6 cents to 6
4 cents per thousand, so, a fairly hefty increase during that
5 time period.

6 You don't see any impact of that in
7 these statements because the billing for that period didn't
8 go out until August 1st. So, all the change in receipts will
9 happen in the upcoming fiscal period. And you see a fairly
10 significant growth, better than three times the revenue of
11 what we had in the previous years.

12 On the Tier II monies, you will see a
13 footnote at the bottom of page 3 in regard to our debt
14 financing. As you know, the way our note issue was
15 structured, we had to front fund the interest cost on those
16 notes with the note trustee. So, the payments we made were
17 based on estimates. We paid out \$210,000 to them for
18 interest expense last year, as was projected.

19 However, the actual interest cost on
20 those notes so far is running about \$30,000 a month or about
21 a 2-1/2% interest rate on a per annum basis. So, we've got
22 about a half million dollars left with the note trustee for
23 future payments. And at the current rate, that will take us
24 for a year.

1 The problem with that, as we learned
2 yesterday, is that we're probably going to have to take that
3 note issue out fairly soon. The program that we were doing
4 the financing under is no longer going to exist or it's not
5 exactly under the terms that we were set up under.

6 So, we will be doing permanent bonds
7 later this calendar year. And when we do that, of course,
8 principal payments will have to begin and our cost is going
9 to go up appreciably.

10 But we do have those funds available
11 and we also have a balance of carryforward of about a half a
12 million dollars in the Treasury-based account. So, we're in
13 good shape on that and we sort of have some start-up money to
14 meeting those bond payments.

15 On investment income, we had also
16 exceeded budget levels. You will note there, though, that we
17 had some fairly good growth in investment income during last
18 year, particularly in the spring. There is a drop in our
19 accrued income shown at the bottom of the first page between
20 May and June.

21 And beyond the distributions we
22 received, our accrued income dropped by about \$16,000. So,
23 that's a minimum of our loss during that period. Actual loss
24 is kind of an unknown factor the way this is reported to us,

1 but we did lose that much in accrual.

2 For expenses during the period, for the
3 whole year for general operations, the expenses that we pay
4 out of our Tier I receipts, we only expended about 77% of
5 what we budgeted for direct costs. So, we ended the year
6 with some fairly hefty balances.

7 We did utilize a half million dollars
8 of those funds for the structural study on all the dams that
9 aren't under construction. So, when you add those two
10 together, what we spent for regular operations and that
11 special study, we then became very close to what we were
12 budgeted to spend.

13 But we are carrying forward at the end
14 of this year \$816,000 of funds that aren't committed to any
15 contracts. Now, our plan in the current budget was to use
16 that source to fund some stabilization work at Dam 10. We
17 have a line item capital project in the upcoming budget for
18 \$650,000 this year and another \$125,000 next year, and this
19 was going to be the source of that funding. So, it is
20 somewhat committed at this point.

21 The primary or the larger expenses
22 during the May/June period, we paid our contract attorney,
23 Logan & Gaines, a little over \$32,000. That was for some
24 subcontracted work to represent the Authority at the Public

1 Service Commission case involving the Kentucky American water
2 plant that's proposed for Owen County.

3 And that closes that contract. I just
4 want you to note that we no longer have any contract legal
5 services available to us unless we go through another
6 procurement process. So, that contract is no more.

7 We also paid the University of Kentucky
8 a little less than \$11,000 during that period for the
9 watershed management service. They supposedly billed us
10 through June, although almost half of the contract still left
11 on the books is unrequested.

12 I would anticipate that they will draw
13 down the rest of that contract sometime in the next couple of
14 months. There's about \$36,000 or \$37,000 left on it. So, we
15 are still reserving that as an encumbrance against next
16 year's funds, and I think that they will bill us. They're a
17 little slow on their billing process at UK.

18 The other major expense---

19 CHAIRMAN WARE: We had to beef up what
20 we're paying for the slowness this year, didn't we?

21 MR. MORSE: Pardon?

22 CHAIRMAN WARE: We had to beef up what
23 we're having to pay them for that slowness in billing.

24 MR. MORSE: That's true. We did

1 contribute to their administrative overhead. Maybe they'll
2 speed it up this year.

3 The other large payment was to the
4 Auditor of Public Accounts. We paid them about \$9,700 for
5 the audit last year. Again, they were real slow on their
6 billing since they completed the audit last December. So,
7 that's good for us. We've got more funds to invest the
8 slower they are on those drawdowns.

9 As I said earlier, we ended the year on
10 Tier I with \$817,000. We ended with \$650,000 on the Tier II
11 receipts, and we're in good shape cash-wise.

12 On the lock operations -- the program
13 is funded with General Fund receipts -- we expended
14 everything but about \$600 which we had to lapse then back to
15 the State's General Fund. So, we've utilized everything we
16 had.

17 We're going to have less resources next
18 year, as I've told you several times. That program has kind
19 of dwindled away over time, and we're currently facing
20 additional cuts that are probably going to get into our
21 personnel funding also. So, we'll report on that next
22 meeting after we resolve what we're going to do to
23 accommodate the cuts we've been asked to make.

24 We did during that period make our

1 commitment to Fish and Wildlife. They finished up the ramp
2 over here in Anderson County where they've renovated the old
3 Fint ramp down on the river. I haven't personally gone
4 there. I think David has. They've done a very good job and
5 it's something that will help the boaters out in this local
6 area. Our ability to continue that next year, though, is
7 going to be slim to none because of the funding cuts.

8 The capital projects, we continue to
9 make progress on Dam 9. We've paid the contractor \$698,000
10 for construction activity and the engineering oversight was
11 about \$26,000 during this period.

12 We paid \$216,000 on the design work at
13 Dam 3 and Locks 3 and 4. That's essentially complete.
14 There's a small amount left on that contract.

15 And we've got all our projects for the
16 contracts that we have committed right now fully funded, plus
17 we have an uncommitted balance of about \$1.1 million on the
18 combined project for Dam 9 and 10. That's in cash value
19 which we're holding as contingency for overruns on the
20 project at this point.

21 We should be far enough along on that
22 at the end of this calendar year that we'll know whether we
23 need that or whether we can reallocate it.

24 As far as upcoming funding available,

1 we talked last time about the budget. We still have \$18.3
2 million of our agency bonds that were appropriated in the
3 '06-08 budget and we have a \$17.5 million appropriation in
4 the new year budget of General Fund-supported bonds, all of
5 it coming from debt.

6 And given the credit markets and the
7 budget problems at the current time, it's available but we
8 just don't know when, and hopefully that will be resolved in
9 the next month or so. We can tell you it's there. We just
10 can't tell you when you can get to it.

11 That's all I have on the summary of
12 these statements. If anybody has any questions, I'll be glad
13 to answer them.

14 I do want to mention to you, we're
15 starting the long-term capital planning process already for
16 the biennium starting 2010. So, sometime this winter, we
17 will need to get our plan together for projects out for the
18 six years starting forward from 2010. So, let your needs be
19 known and we'll try to put that plan together for you.

20 CHAIRMAN WARE: Does anybody have any
21 questions for Don? If not, I'll entertain a motion to
22 approve his Financial Report.

23 DR. HANEY: So moved.

24 MAYOR MILLER: Second.

1 CHAIRMAN WARE: I've got a motion and a
2 second. All in favor, say aye. Any opposition by a like
3 sign. Motion carries. Don, thanks.

4 You might as well stay up there.

5 MR. MORSE: We had one action item we
6 wanted to bring to you for approval. By statute, we're
7 required to have an annual audit of our financial activity.
8 So, this will be for the year ended June 30 of this year.

9 The Auditor of Public Accounts has
10 first call on whether they audit state agencies or whether
11 they allow you to contract outside services. They elected
12 this year to perform the audit as they have with the prior
13 two years.

14 And they have given us a proposal --
15 it's about the same as last year -- an estimated cost of
16 \$11,000, or it works out to about \$47 per hour for their
17 services. And I want to bring that to you for approval
18 before we actually initiate a contract.

19 MR. CHRISTOPHER: So moved.

20 MR. MITCHELL: Second.

21 CHAIRMAN WARE: I have a recommendation
22 and a motion and a second on that. Any discussion? All in
23 favor, say aye. Any opposition? Motion carries.

24 Next on the agenda, this was an item

1 that was brought before us at our last meeting, and we've
2 made a commitment to consider what we would do with this item
3 at this meeting.

4 I'd like to introduce Pat Banks, the
5 current Kentucky Riverkeeper. And, Pat, if you would like to
6 address the group and then we will go from there as far as
7 our consideration of support or participation.

8 MS. PAT BANKS: Thank you for having
9 us. Alan is here if we need him, but he is not feeling well.
10 So, he is out in the car if you have any questions for him.

11

12 Did everyone get the information that
13 was sent? You have a little bit more of a background of the
14 Kentucky Riverkeeper and what we've been doing.

15 I just wrote something for one of our
16 projects last week and realized that we've reached over
17 30,000 people just in immediate contacts which surprised me
18 because I've been working so hard on each project, that to
19 put it all together was good. And then the secondary things
20 that would go out from there, I think we're starting to have
21 some impact and voice.

22 We also talked about the survey at our
23 last meeting, and Phase I is finished. It's going to be
24 printed and we will be sending this out to all of the

1 stakeholders.

2 We will start the next round and it
3 will focus on Fish and Wildlife, Waste Management and some of
4 the other people that we've identified as players in what
5 we're trying to accomplish.

6 This went out to County Judge
7 Executives, Mayors and our Legislators in our 41-county area.
8 So, it really is wonderful. The responses were great. They
9 had a lot of just really good, thoughtful responses. If you
10 would like, we can send each of you one of these probably in
11 the next couple of weeks.

12 CHAIRMAN WARE: If you will get copies
13 to Sue Ann, we'll can get them distributed to the Board
14 members.

15 MS. BANKS: Okay. That would be great.
16 I think you would really like to see the work that we're
17 doing and the responses we've been getting. Does anyone have
18 any questions about the Riverkeeper?

19 MR. CHRISTOPHER: Did the County Judges
20 offer any financial support?

21 MS. BANKS: We only asked two and it
22 was just before--it was at the end of June and they all were
23 starting their new budgets. So, we don't have any money from
24 them.

1 We have asked for money from the
2 Appalachian Regional Commission, nationally and state, and
3 those letters went out mid July; but with vacations and
4 everything, we have not heard back. We were going to wait
5 until after this meeting and then follow up to see if we had
6 any matching funds or anything we need to do.

7 MR. CAINES: Is \$50,000 your full
8 budget?

9 MS. BANKS: Yes, and we probably could
10 use more, but we really think that--we've included in
11 that--the Appalshop has a certain administrative overhead.
12 We've included some administrative overhead to pay for our
13 staff to go around and do the educational things during and
14 after the filming. So, we've tried to anticipate taking care
15 of this.

16 MR. CAINES: Do you think there will be
17 some monies come in from the counties?

18 MS. BANKS: I think so, and I think the
19 Appalachian Regional Commission was very interested. Alan
20 and his students have worked before. As a matter of fact,
21 they worked on the headwaters project a couple of years ago,
22 the ECU students, and they did a health survey and some other
23 surveys and worked with health professionals in that region.

24 Again, the response rate was incredible

1 and they put together this publication. It's been published
2 in several places, by the way. But Letcher County was able
3 to use that to bring over \$20 million in to their region.
4 They used it as backup for their request for money. It
5 helped them frame their arguments and everything. So, that
6 investment that the Appalachian Regional Commission made,
7 which was about \$10,000, paid off several million.

8 And the survey that we've managed to
9 put together with just our in-house funding and labor would
10 probably be worth \$150,000, I've been told. So, we're doing
11 a lot with a little bit; but as an artist, I'm used to doing
12 that.

13 MR. REEDER: Pat, I want to ask a
14 question. I wanted to ask you how the Riverkeepers'
15 organization nationwide is coordinated?

16 MS. BANKS: It's the Waterkeeper
17 Alliance. That's an international group. Robert Kennedy has
18 been the president and provided a lot of leadership for this
19 whole thing.

20 The way it's organized is each water
21 body has to apply and go through a very rigorous set of
22 standards. So, it could be a baykeeper, a lakekeeper, a
23 streamkeeper or a riverkeeper and they're all treated fairly
24 equally. Some areas, like the Puget Sound, has multiple

1 keepers, but it's usually around an inlet here and a
2 something here, and then they work together on certain
3 issues.

4 Their philosophy is to have one person
5 be the voice so that we can talk to groups like you and have
6 a sense of what's going on. So, it's not just chatter.

7 MR. REEDER: It was established here, I
8 think, about six or eight years ago. Mr. Kennedy came to
9 Boonesborough. I was there. Several of us were there when
10 he came down there and initiated the Kentucky Riverkeeper.
11 I think, Pat, maybe you're the third Riverkeeper maybe?

12 MS. BANKS: Well, I have been on the
13 board since the beginning. And, yes, I am the third.

14 MR. REEDER: It's my understanding --
15 and this is just an aside so everybody can understand how
16 this thing started -- my understanding is that the
17 Riverkeeper movement originated in Philadelphia or Pittsburgh
18 or someplace---

19 MS. BANKS: The Hudson Bay and the
20 Chesapeake. Those are some of the very first ones.

21 MR. REEDER: A group of ex-marines of
22 all people started it---

23 MS. BANKS: Yes.

24 MR. REEDER: ---because they were fed

1 up with a lack of regulations in monitoring water quality and
2 they forced a lot of changes there; and from there, it spread
3 nationwide.

4 MS. BANKS: Yes. Six years ago, there
5 were thirty, and now there's over two hundred, but they are
6 around the world.

7 MAYOR MILLER: Might I ask how much
8 money you've applied for with ARC?

9 MS. BANKS: We told them we were asking
10 you for \$50,000.

11 MAYOR MILLER: So, you were going to
12 use ours to leverage theirs?

13 MS. BANKS: Well, we weren't trying to
14 double the money. We told them that you asked us to try and
15 raise some matching money and that we've asked you for
16 \$50,000. The national person, Alan talked to him. They've
17 worked together for a long time, and he was going to walk it
18 over to the other office if we didn't hear. So, depending on
19 what you guys tell us, then, we will have something to give
20 back to them.

21 MR. CHRISTOPHER: Bob, we had two other
22 little projects there, I was thinking, one I remember at
23 Heidelberg that we were coordinating with the Department of
24 Fish and Wildlife and the federal there. There was one more,

1 wasn't there?

2 MR. REEDER: The one in the Forks.

3 That's completed.

4 MR. CHRISTOPHER: We've paid those?

5 MR. REEDER: Well, the one, the one at
6 the Forks. The one at Heidelberg is a share project of a
7 boat ramp with Fish and Wildlife. It's using federal funds.
8 It's 75% federal funds pass-thru, and they're not ready to
9 initiate that yet. They don't have the federal money right
10 now to match that one; but as soon as they do, it's the next
11 boat ramp on our list. We're ready to go on it.

12 At the meeting, we discussed having to
13 deviate from the normal policy of just reimbursing Fish and
14 Wildlife and having the legal authority to participate
15 directly in purchasing the property.

16 And that part of it may be my fault but
17 it did slow it down because the money is not there, but I
18 want to treat it like all the rest of them. I don't think
19 we're in the property-buying business, per se.

20 So, I've told Fish and Wildlife to go
21 ahead and whatever they do, to do it like all the rest of the
22 projects. They buy the land and basically send us a bill at
23 the end of it. But they don't have the money from the feds
24 yet.

1 MR. MITCHELL: I'd like to ask Pat, can
2 you give us a feel for what--I know your narrative says an
3 educational DVD and documentary. Can you tell us a little
4 more about the subject matter?

5 MS. BANKS: We're hoping to incorporate
6 some of this survey into this. There are some interesting
7 developments from like the County Judges. And you would
8 think that the main stem and the headwaters--we actually had
9 more people respond in the main stem, but the people in the
10 headwaters that responded were more passionate. So, it was
11 kind of an interesting thing to see how they broke it down.

12 When it comes to questions, like how
13 important the river is and is it an asset to my community,
14 would you like for me to, in just two paragraphs, just to
15 give you an example?

16 MR. MITCHELL: Would the film
17 concentrate mainly on water quality and the activities that
18 either contribute to water quality or harm water quality? Is
19 that the idea to educate people on the impact of farming? I
20 mean, there's a multitude of things that have an impact on
21 water quality.

22 MS. BANKS: That would be one aspect,
23 the water quality and everything. The other is how we
24 actually treat the river and how we think about the river,

1 what we can envision the river being. Is it an asset to a
2 community or not? Most realize it's not an asset to their
3 community but they can envision that it would be. These are
4 the County Judges and the Mayors and things.

5 Right now, education, hospitals, all
6 those things are right there. The idea of how can we
7 actually make our lives better up and down the river is even
8 a bigger issue, what the possibilities could be.

9 And I'm just speaking off the top of my
10 head here, which always gets everybody in trouble, but in the
11 paper, \$400 million is being spent at Lake Cumberland. And
12 when that lake was built, there wasn't anything around it.
13 Now it's significant.

14 And I'm saying why don't you invest
15 \$400 million in the river? Why don't we do the locks and
16 dams? Why don't we build the infrastructure that we need
17 that our citizens could actually use and live on?

18 That's not going to be part of the
19 film, but eventually we would like to see resources brought.
20 And you guys are the experts. You know what has to be done.

21
22 We think of the film as being very
23 positive, but also we would have questions. You want to
24 integrate the communities that see the film. We're going to

1 be directing this to school children, and KET will probably
2 be running this on their loop. We want to portray the river
3 as incredibly beautiful and incredibly valuable.

4 And we're also working towards with Ben
5 Chandler's office a federal designation for the river so that
6 we have something that we can tag on to.

7 MR. REEDER: Pat, what would be the
8 plans for distribution of the film? I know Appalshop, they
9 make some good films and you see a lot of them on KET. What
10 would be the plans for distributing that thing? You can have
11 the best film on earth, but if nobody sees it---

12 MS. BANKS: Exactly. Well, part of it
13 will be using Appalshop's distribution. The County Judges
14 that we've spoken to personally said they would help
15 distribute it in their communities and make sure that the
16 schools all saw them. That's not a huge number, but we think
17 that's going to be one of those, and then the university
18 systems.

19 We just came back from a Waterkeeper
20 Alliance meeting in Seattle, and we weren't far enough along
21 for me to present what we were doing, but we're already ahead
22 of what some of the people are doing thinking about their
23 water. We already know with the testing that we can do more
24 water testing and then what's next, and that's what people

1 ask. Well, I've been doing testing. What's next?

2 And we want to help be part of getting
3 people to think about and really put this on their agenda
4 because right now, even on the surveys, the public officials
5 think that their community, when you ask them questions about
6 their community, are they interested in the river, are there
7 any issues, that's a very low percent. So, it's like is that
8 their opinion of what those people are or do people care more
9 than they realize, but the officials are incredibly
10 responsive to the idea of pulling together.

11 DR. HANEY: Are they willing to put up
12 any money?

13 MS. BANKS: See, that's always the
14 kicker, and I think some of the people in the main stem think
15 they're going to be more open to that. They feel like people
16 in the headwaters are going to need a lot of help just
17 because of the infrastructure problems that the headwaters
18 have anyway. So, they're thinking we've got to do federal
19 grants to try and get money up there.

20 MR. CAINES: Could this include
21 something about the Kentucky River Authority and what the
22 goals of the Kentucky River Authority are?

23 MS. BANKS: I read your mission the
24 last time because I'm impressed with it. I think if we can

1 hold that mission up and say let's all hold on to that, that
2 would be wonderful.

3 MR. CHRISTOPHER: Was that a yes or was
4 that a maybe?

5 MS. BANKS: I would say that's a
6 definite. We can put that graphically. I would do a
7 painting with that on there. I think that sets a standard
8 for all of us.

9 CHAIRMAN WARE: I get the impression
10 that we're groping a little bit for justification for the
11 expenditure of \$50,000 in this situation, and I'm willing to
12 entertain any suggestion or recommendation by the Board
13 members on this.

14 Short of that, let me tell you. My
15 inclination is to let a subcommittee look at this in a little
16 bit more detail along with some guidance from Don with
17 respect to our budgetary constraints.

18 DR. HANEY: That brings up a good
19 point. What source of revenue do we have for something like
20 this?

21 CHAIRMAN WARE: And Glenn's question,
22 I'm kind of groping to see exactly, if I'm going to throw
23 this to a subcommittee, what subject matter does it best fit
24 into. It kind of crosses a lot of boundaries, and I'm

1 afraid, Randall, I'm getting ready to kick it towards your
2 subcommittee.

3 MR. CHRISTOPHER: I was afraid you were
4 going to suggest that.

5 CHAIRMAN WARE: Like I say, I'm willing
6 to entertain if somebody wants to make a motion or
7 recommendation.

8 MR. CHRISTOPHER: Parks and Rec will
9 take it.

10 CHAIRMAN WARE: My suggestion would be,
11 Randall, to let Parks and Rec take it, look at it, like I
12 say, with some input from Don Morse and then come back
13 possibly by the next meeting and frame that in the context of
14 what support we can and should provide for this. And, Pat, I
15 hate to put you off another month.

16 MS. BANKS: Weather-wise, we've got
17 probably filming until November and then otherwise it will
18 get kicked into the next year.

19 MAYOR MILLER: Assuming you don't get
20 any other funds from anybody else, the \$50,000 would do it?

21 MS. BANKS: Yes. We will have some
22 control over content. We have the vision. We have the
23 impetus. The final product is going to be after all the
24 interviews and all the photography and everything.

1 Like I said, we want to use this as a
2 road map because it gives us a place to start, the questions
3 to ask, the things that people are thinking, some of the
4 history of the river, but Herbie Smith is going to be the
5 final person putting this together.

6 So, there's going to be a certain
7 artistic license that as an artist I hope you guys
8 appreciate. He is a professional. We will get to see the
9 film before it's finished and people are going to get to have
10 input, but it is a creative endeavor as well, and I think we
11 want to keep that.

12 CHAIRMAN WARE: We as a Board or Steve
13 and his staff really need to provide you all with input. Of
14 course, we're not going to dictate the content.

15 MS. BANKS: Sure. Exactly.

16 CHAIRMAN WARE: But, then, I think
17 another important aspect of this is distribution. We want to
18 be sure that---

19 MS. BANKS: Well, and any help you can
20 give us for distribution would be much appreciated. We do
21 have some avenues, but we want partners in this. We've got
22 to change the way people think about the river, and that's
23 why we want to do it.

24 CHAIRMAN WARE: Well, unless I hear any

1 other suggestions, my inclination, Randall, is to let the
2 Parks and Rec Subcommittee look at this within the next few
3 weeks and come back to the Board with a recommendation.

4 And then the next issue is looking at
5 the composition of your subcommittee. It's kind of been
6 decimated. L.C. is here no longer. Susan Bush is gone.
7 Bill Grier is gone. I could ask for anybody that wants to to
8 volunteer to be on that subcommittee at this point in time,
9 short of me appointing people.

10 MR. MITCHELL: I'd be glad to be
11 involved.

12 CHAIRMAN WARE: Mr. Mitchell will
13 serve.

14 MAYOR MILLER: I'll be on it.

15 CHAIRMAN WARE: Very good, Mike. Mayor
16 Miller will be on that. Is there anyone else that wants to
17 participate?

18 MS. HUDSON: I can assist since Susan
19 was on it from an Environmental Protection standpoint,
20 Natural Resources.

21 CHAIRMAN WARE: Okay.

22 MR. MITCHELL: I think it's
23 appropriate, Mr. Chairman, that we have some state government
24 representation on there. To me, this is a public relations'

1 exercise. And just looking at our budget for the last year,
2 we spend \$20 million. And I can tell you that there's a lot
3 of state agencies that spend less than \$20 million and they
4 spend a heck of a lot more than \$50,000 on public relations'
5 efforts every year. So, to me, it's appropriate if it's for
6 maybe getting its mission and its work out in front of more
7 people.

8 And as far as who should do that, I'm
9 impressed with this group and I think they are appropriate.
10 They are affiliated with Appalshop. They're affiliated with
11 Eastern Kentucky University. From a state government
12 standpoint, we would not have any problem entering into an
13 agreement with a group like this which I think makes them a
14 natural choice for this.

15 MR. REEDER: Mr. Chairman, I'd like to
16 say this, and Warner raised the same question that staff
17 talked about in the office is that if a film like this is
18 produced and we pay for it or pay for part of it, I think the
19 River Authority should be singled out or some portion of it
20 dedicated to the mission and to the function of the River
21 Authority.

22 I've been here ten years and you would
23 be surprised if you go somewhere to speak about it or present
24 it, people don't know what it is. They still don't know what

1 it is.

2 MS. BANKS: They don't know what the
3 river is or where it is.

4 MR. REEDER: Some people think it
5 covers the whole state. Some people think you're in charge
6 of houseboats. Some people think we are law enforcement
7 people. Some people think that we build dams only. There's
8 a misconception of how we have implemented the four missions
9 that we established in 1999 at our first planning meeting.

10 So, I think we should be a part of that
11 if we're going to pay for it, and that doesn't mean--you can
12 say whatever you want to say about the rest of it.

13 I think one thing when I look back on
14 what we've done here -- and it's been for the lack of
15 personnel, but I look back at one of the things I would
16 change if I went back to square one and had a person that was
17 knowledgeable enough about it -- and I've used myself and
18 Board members, but that doesn't go very far -- I think we
19 needed a public relations' individual to cover this entire
20 basin if they don't do anything but call a County Judge or a
21 Mayor and say this is who we are, here's some information.
22 There are faces behind this, and any comments you've got,
23 give them to us and we'll take them back to Frankfort and
24 respond to them because a lot of them just see us as

1 collecting money from them and that's it.

2 DR. HANEY: We used to have a position
3 called Circuit Rider, and that person's responsibility was
4 just to do this. It's been so long ago, I forget how we
5 funded that, but it was strictly to roam around through the
6 basin and let people know what's going on and what we do.

7 MR. REEDER: We did have that at one
8 time and got rid of it because it was in the hands of another
9 organization and it got clouded as to who was being promoted.

10 So, I think the public relations'
11 aspect as well as the overall message you're going to put out
12 is valuable here, and I couldn't agree with Glenn more
13 because that's the one thing we're short on is PR. And the
14 only time we get any PR is when one of us gets interviewed
15 for the paper or I go make a speech somewhere.

16 DR. HANEY: That was very obvious in
17 the Herald a few weeks ago, wasn't it?

18 MS. BANKS: There's two things that are
19 interesting that Steve said that's been in my experience.
20 I'm just going to say two things because they're so graphic.

21 We had an event with ECU students down
22 on the river at Boonesborough Beach. Media was there. And
23 we're at the top of the--we're not down on the beach yet.
24 We're right next to the building, the office building.

1 And a reporter is standing there
2 talking to me from Lexington, a television reporter and
3 they've got the cameras, and she asked what is the
4 significance of the Kentucky River and why does it need to be
5 cleaned up or anything like that.

6 And I said, well, for one thing, that's
7 where your water comes from. She goes, oh, no, not me. And
8 I said, well, Lexington gets their water from the Kentucky
9 River. She didn't know that.

10 MR. REEDER: Yes. I had a guy, a
11 reporter no less, from Channel 18 or 27 when we had the
12 famous rescue of the boat off the dam down here, and he said
13 I'll turn the camera off, you know, and he said there's a
14 question I need to ask you. He said, why do we have dams
15 anyway?

16 MS. BANKS: Another reporter from
17 Lexington was giving me an interview, and I had my press
18 packet together and I had the fish alert from the EPA.

19 And she said, well, what's the matter
20 with the river? And I said, well, there are some issues and
21 we've got things that have to be cleaned up. And she said,
22 well, we've got the EPA, we've got everybody in charge. Why
23 do we have to worry? And I said, well, okay, here is this.

24 And do you know what she said? Where

1 did you get that? And I said, well, I Googled it off the
2 Internet. And she said, well, if a young woman isn't
3 supposed to eat fish, why aren't people upset? And I said,
4 well, maybe you've got to tell them that story. That's
5 important. That's an issue, making this fishable and
6 swimmable.

7 But those are two things, and she also
8 was not aware that her drinking water came from the river.
9 She wasn't aware of it -- two reporters.

10 MR. REEDER: This is a good
11 opportunity, I think, if we do it right, if we approach it
12 right.

13 MR. CHRISTOPHER: Let me ask, Mr.
14 Chairman, that if any of the Board members have thoughts,
15 comments, questions that they would like for us to
16 investigate while we're in our subcommittee, please feel free
17 to forward those. We'll gather those thoughts and try to
18 come back with a good report and a thorough report and have
19 this thing issued out and ready to go.

20 CHAIRMAN WARE: I think you've got a
21 good group to work with, Randall, with Glenn, Valerie and
22 Mike willing to work with you and Rex. And I'll be involved
23 with that, too.

24 Sue Ann, just get with Randall and you

1 all set up a meeting at everybody's earliest convenience and
2 make sure Don is plugged into that at the same time, and if
3 Pat needs to be there, have her in.

4 Thank you very much, Pat.

5 MS. BANKS: Thank you. I'm going to
6 leave this with Sue Ann, and this is not the final final
7 because they are still editing. You know how academics are.
8 They have to make sure everything is perfect on that, and
9 that's why they're experts. They we will get the final final
10 to everybody.

11 CHAIRMAN WARE: Next on the agenda is
12 an update on the Bluegrass Water Supply Commission. Steve,
13 you're going to do that in Bill Grier's absence, and Don
14 Hassall is in the audience today, too.

15 MR. REEDER: In your handouts, you've
16 got a memo from Bill Grier. Bill, it's one of the last
17 things he did while he was still on the Board. He was our
18 member representative on the Bluegrass Water Supply
19 Commission.

20 The Bluegrass Water Supply Commission
21 has two ex officio members, a Kentucky Infrastructure
22 Authority member and the Kentucky River Authority. We don't
23 have a vote on that. More than anything, we sit there and
24 listen and we always have a report on what's going on.

1 So, I'm passing this out. I was not at
2 the meeting. So, I'm somewhat at a disadvantage to talk
3 about it. I think it's self-explanatory.

4 The Bluegrass Water Commission here of
5 late is, I think, trying to -- and I'm sure Don will help me
6 on this -- but they're looking for trying to retool their
7 mission just a little bit since they're not involved directly
8 at this point in time with ownership in a plant that's being
9 built in Pool 3.

10 There is one issue here, and Don will
11 probably want to talk about that. There is one issue -- I'll
12 tell it to you up front -- and it involves Financial/Funding
13 in Bill's report.

14 The Legislature in I believe the odd
15 Session of it was either '04 or the odd Session of '05
16 appropriated \$900,000 to the Bluegrass Water Supply
17 Commission for general uses as far as the start-up costs. It
18 covered a little bit of everything, and it involved us the
19 way the legislation was written.

20 And I did not want to get in a position
21 of vetoing items. It was not directly our business. And
22 there reason that I think Representative Damron plugged us
23 into that, because I think it was primarily his effort in the
24 appropriation bill, was simply because he wanted us to--he

1 and Joe Barrows, who was in the Legislature at the time, they
2 wanted us to know about what they were doing so that our
3 plans would not conflict.

4 And, then, of course, on their end of
5 it, they took care of a lot of that by having one of our
6 people sit on that Board so that they would have the benefit
7 of our thinking or our comments as they developed their
8 plans. And certainly their plans were always consistent with
9 what we were doing. That's one reason we endorsed that water
10 plant in Pool 3 because it was consistent with our efforts to
11 erase the deficit and all that sort of thing.

12 But the first \$900,000 was expended.
13 And what would happen, the bills would come in. Actually,
14 the Kentucky Infrastructure Authority would pay them, but we
15 would sign off on them, and we never questioned them. We
16 went ahead and made note of what they were for and reported
17 them in here to the Board and went ahead.

18 The Legislature in '06 appropriated
19 another \$900,000 for the same types of purposes, although the
20 wording in it was more. As we've read it, it discusses
21 engineering and technical things a little bit more.

22 We do not have a contract with KIA. It
23 was a three-way contract. It takes a three-way contract to
24 spend the money, a Memorandum of Agreement -- the Kentucky

1 Infrastructure Authority, the Kentucky River Authority and
2 the Bluegrass Water Commission.

3 We do not have a contract at this point
4 in time to expend any of that \$900,000 that's there. It will
5 last, according to the Budget Office, until 2010 for anything
6 that comes in or any projects that they get involved with or
7 whatever. At that point, it's been our opinion we would
8 enter into an agreement with the proper parties and sign off
9 on the invoices and go ahead.

10 One difference in the old legislation
11 and the new or the old appropriation and the new one was that
12 the second one initially didn't put us in it, which that
13 suited me just fine because we didn't have any business
14 second-guessing what they were doing or dealing with that.
15 Of course, we had a seat on the Board anyhow. It didn't make
16 any difference.

17 So, we had Governor Fletcher at the
18 time. And one of the clean-up things that the Budget Office
19 does after every one of these sessions, they had a big
20 Executive Order for the Governor to sign realigning some of
21 the things that the Kentucky Infrastructure Authority was
22 doing.

23 And as typical with the Legislature
24 sometimes, they give them responsibilities outside of their

1 authority. But one of the things they did -- that's not
2 outside their authority necessarily -- but one of the things
3 they did was put us back in it in that Executive Order, which
4 I wasn't too thrilled about getting back in, to be honest
5 with you, but it would put us back in it. And, so, we are
6 back in it.

7 Now, there is a loan outstanding to
8 KACO and the Kentucky League of Cities in the total amount of
9 \$320,000 according to this.

10 MR. HASSALL: Three thirty.

11 MR. REEDER: Three thirty. Okay. This
12 says 320. Three hundred and thirty thousand dollars for
13 services of various kinds. It was just loans taken out. I
14 don't know particularly what they were used for, but they
15 were loans.

16 So, the attorney for the Bluegrass
17 Water Supply Commission came to us and said, you know, can
18 you initiate a contract so we can pay that old debt off.

19 And, so, we corresponded with the
20 Budget Office. The Budget Office said essentially, no, you
21 can't do that because it's older debts entered into before
22 '06, and there's not enough indication about how it was used,
23 whether it was used for engineering services or not. So, we
24 got a no from them, and I transmitted that to Mr. Damon

1 Talley.

2 So, that's on the table. I have no
3 action item or anything like that on here today, although I
4 knew it would come up. Don Morse and I talked about it, but,
5 Don, you might want to go ahead and tell the Board about it.

6 We're not doing anything about it at
7 this point because of the position of the State Budget
8 Office. LRC has called me about it, different people in LRC
9 and said what's the problem here. And I said, well, look, we
10 don't care. It's not our money.

11 I said, you know, if the State Budget
12 Office changes their mind, I'll be glad to enter into an MOA
13 and get this done. But until I hear from the State Budget
14 Director, I can't take anything in front of my Board.

15 So, that's the status of that. If you
16 can lobby it out with them, and it's no big deal to me or the
17 Board, I don't think, because the Bluegrass Water Supply
18 Commission does do things that are completely consistent with
19 what we do.

20 In fact, I would remind everybody, the
21 new members, that when this thing was started up, we don't do
22 this very much, but about, I don't know, five or six years
23 ago, we were the first agency and maybe the only one to give
24 the Bluegrass Water Supply Commission some start-up money.

1 We gave them \$30,000. I don't remember the exact date. I
2 remember we were in the hotel up there where the meeting was
3 held. I do remember that.

4 But it was basically when you changed
5 over from a Consortium to a Commission. Of course, the
6 Commission is organized under state law. The Consortium at
7 that time, they were just a group of people. Warner's
8 organization is a member.

9 So, anyway, that's really all I have to
10 say about it. I did want to bring that one issue up that
11 some of the members may hear about on their own, and that's
12 been our position on how we're going to handle it.

13 CHAIRMAN WARE: Don, would you like to
14 address the Board?

15 MR. HASSALL: Steve summed it up very
16 well. Obviously, we would like to be able to access that
17 \$900,000. We do need that money. One of the purposes of
18 taking that would be to, if we were allowed to draw down on
19 it, would be to resolve these two small loans with KACO and
20 League of Cities.

21 The language that you're referring to,
22 Steve, was not put in there by the legislators because they
23 disclaim that they put that strain on it. In fact, there
24 were supposed to be fewer strains on the second \$900,000 than

1 the first \$900,000. But by the time whoever got through
2 putting the pen to it, it ended up being more restrictions,
3 and that was the confusion to us.

4 We've had discussions with
5 Representative Damron and Senator Buford in the context of
6 how we might get this straightened out. And it may very well
7 be a matter that would sit dormant until the '10 General
8 Assembly to get that dealt with. We would not like to see it
9 wait that long, but if there's no other way, then, we would
10 have to wait that long to get that resolved.

11 Going back to one more point, a couple
12 of things you said earlier, Steve, the Water Commission does
13 see a different role now with the Kentucky American Water
14 Company having gone ahead and started construction on their
15 20-million-gallon-per-day plant without the additional five-
16 million-gallon-per-day increment that we had hoped to be able
17 to participate in.

18 We see our role as shifting somewhat,
19 and we're now looking at issues like connectivity, trying to
20 enhance the connectivity of the water system through Central
21 Kentucky just in terms of redundancy and reliability.

22 We're going to meet soon. We met in
23 July. We're going to meet in August and discuss tweaking our
24 mission statement and taking steps toward looking at moving

1 ahead toward connectivity issues.

2 CHAIRMAN WARE: I'll tell you what.
3 With Bill being off the Board now, you've got my e-mail
4 address and Steve's. Contact us on future meetings and I'll
5 probably either attend or Steve attend, but I'll plan on
6 trying to make those meetings.

7 Does anybody have any questions of Mr.
8 Hassall?

9 MR. COLLINS: Actually, Mr. Chairman,
10 I've got one of Warner. Is the Plant Board still a member?

11 MR. CAINES: We're a member, no voting.
12 We just go to the meetings.

13 MR. COLLINS: But you were a voting
14 member at one time?

15 MR. CAINES: Yes.

16 MR. COLLINS: Is the reason for not
17 being a voting member now is---

18 MR. CAINES: My Board decided not to be
19 a voting member.

20 MR. COLLINS: So, it was a Board
21 decision?

22 MR. CAINES: Yes.

23 CHAIRMAN WARE: Along that line of
24 questioning, have any other communities dropped out of the

1 Commission?

2 MR. HASSALL: Nobody has dropped out.
3 Even Frankfort has not dropped out. Warner explained their
4 position I think well, that they stepped back but they
5 haven't dropped out. They have an employee, Dave Billings,
6 of Warner's staff is attending the meetings, but he has
7 chosen not to vote on the advice of his employer, but no one
8 has dropped out.

9 MR. REEDER: Richmond is still not a
10 member.

11 MR. HASSALL: That's correct. Richmond
12 is still not a member.

13 MR. REEDER: But Berea is.

14 MR. HASSALL: Berea is a member.

15 CHAIRMAN WARE: Next on the agenda,
16 we're going to discuss prioritization of potential projects
17 over the next couple of years based on a soon-to-be-finalized
18 report from Stantec.

19 And we've got Mr. Craig Avery and Jeff
20 Dingrando and Dave Hamilton and I guess Steve. I don't know
21 who is going to take the lead on this. Craig, are you going
22 to start this discussion?

23 MR. AVERY: Yes, I'll just start it.
24 Dave, do you want to start?

1 MR. HAMILTON: I think Steve wanted to
2 mention something.

3 MR. REEDER: I wanted to preface it and
4 tell the members what we're doing and the purpose for the
5 discussion to begin with.

6 If you all read the minutes or
7 reviewed the minutes from the last meeting, Sue Ann put a
8 note in your packets to look at the proper page numbers that
9 dealt with the items discussed that are related to this last
10 time.

11 Quite frankly, we couldn't give you any
12 updated information beyond that because we've been working
13 with budget people and the engineering folks from Stantec in
14 order to make some very specific recommendations and have
15 some specific things to talk about and talk about them with
16 some degree of safety.

17 So, what we do have and the reason
18 we're here to talk about that is very simple. We've got the
19 rest of this biennium. Of course, we've got the capital
20 construction plan that's filed with the budget. Currently,
21 that plan goes from 2008 to 2014, and every two years you
22 update it or modify it or change it and you file that about
23 the time you file a budget.

24 And, of course, they pretty much have

1 to sort of agree at least during the biennium as to how much
2 money you're going to spend versus what you're taking in.
3 You can't put some things in there you're not going to do.
4 You can put optional things in there, but you can't load it
5 up and not have some responsibility to it.

6 So, there are two -- and Don went over
7 this in his presentation. There are two groups of money,
8 bottom line, that we're talking about here. We're talking
9 about \$18.3 million in fee money, bonded fee money that is
10 authorized for the rest of this biennium, and that comes
11 from, of course, water user fees and it's money that was
12 originally authorized in '06 and was carried forward and
13 reauthorized in '08. Right now, the bulk of it is being
14 spent on Dam No. 9 to complete that at Valley View which is
15 Lexington's water supply.

16 And the 18.3 assumes that you don't
17 have any big overrides in this thing. We've got a
18 contingency in it, but at the same time, money held back in
19 case something happens; but change orders being what they
20 are, the Finance Department, I would say Glenn is doing a
21 real good job at holding those costs back. They know that we
22 don't have a lot to work with.

23 And from that, we've designed the dam
24 at 3. It is virtually ready to go. It's been held up for

1 two or three months because of a permit problem with the
2 Corps of Engineers over some potential plants that exist up
3 there or they thought existed. Now they've said they don't.

4 MR. COLLINS: But the conditions are
5 right for them to grow there.

6 MR. REEDER: The conditions are right.
7 That's exactly right. I told somebody the other day, it's
8 sort of like the police arresting me because I had good soil
9 on my property that would grow marijuana.

10 The thing about it is, is that thing is
11 ready to go. We have an issue with a property owner up there
12 that the Finance Department has just completed an appraisal
13 on that we've got to deal with, but that shouldn't be a great
14 hurdle to get over except to just deal with it.

15 And the Finance Department has got the
16 plans and specs as I understand now. The permit is still not
17 in our hand, but they've got the specs looking at them in
18 Paul Gannoe's office over in Engineering. And, so, we're
19 looking at getting to that project or being able to let it to
20 contract this year if we can.

21 And the second group of money was the
22 restored \$17.5 million of General Funds supported by General
23 Fund bond obligations. That was the famous vetoed money from
24 the 2006 Session, and it was put back in during this

1 administration. Governor Beshear put it back, and we're
2 going to use that.

3 So, what we have done, we have picked
4 out a number of projects discussed last time that came from a
5 needs book. After the 2006 Session, we had Stantec do a
6 study, an analysis of all the dams except 10 and 9 which were
7 the subjects of replacement anyhow, and 9 is being built and
8 10 is going to if we get the federal red tape straightened
9 out.

10 And I had them go ahead and run Dam 3
11 also because I wanted to see just how bad it really was, and
12 it ranked I think the third worst dam in the system which
13 threatened Frankfort's water supply if it ever failed because
14 you lose all your hydraulic pressure on the back side of it.

15 So, we had that done. We've got a road
16 map now which we intend to develop into, not just for this
17 biennium, but on down we plan to make like a ten-year plan
18 out of that thing so that people down the road after I'm gone
19 and after everybody else here is probably gone, so that
20 whoever is sitting in here can look at that thing and say,
21 now, look, here is what needs to be done.

22 Of course, we have the inspections by
23 staff that verify those things, and I'm thinking about a
24 contractor inspector somewhere down the road, too, that will

1 make double sure that this stuff is kept on track.

2 But be that as it may, there's \$17.5
3 million sitting over here, all of it to be let or all of it
4 to be bonds to be sold, money to be generated, and start out
5 with Dam 3. That's a given.

6 The bid at Dam 3 has got an alternate
7 in it to rework Lock No. 4 in Frankfort. It still works but
8 it doesn't work well. It's about the same shape the rest of
9 them are in. It just hasn't quite failed yet. And, so, we
10 have an alternate for that, depending on how the bids come
11 in.

12 We may or may not have enough money.
13 Concrete is going out the roof. Steel is and oil is. So, no
14 telling what kind of bids you're going to get. I think we
15 got a real steal in that one over at 9. And we almost lost
16 that one because the bid was twenty some million dollars,
17 twenty-two million dollars versus fourteen because somebody
18 filled in something on the wrong line. And thank goodness
19 for Joe Meyer down in Engineering who came in and overruled
20 the technical mistake, which he had a legal right to do, and
21 let us have that bid. Else, we might not be talking about 3.

22 But at the same time, as Don pointed
23 out and he said it very succinctly, that the bond markets
24 today, financial markets are things that are beyond the

1 control of anybody in this room. They're beyond the control
2 of us, the Governor, the Legislature or anybody else.

3 And there are discussions, there are
4 discussions among the policy-makers as to whether or not, I
5 guess, first of all, if any bonds can be issued. If they can
6 be, which pool of bonds, the General Fund bonds or \$18
7 million worth of bonds can be sold, which of the two or both.
8 Things change in a short period of time sometimes. So, who
9 knows.

10 So, we're going to approach it like
11 we're going to get both them, but we also want you to know
12 that if we only get one of them, then, we're going to be
13 restricted on one of the pools, we're going to be restricted
14 pretty much to look at letting the dam up at 3 and seeing if
15 there's enough money in that thing in the total bid that
16 comes in to go ahead and rework Lock No. 4 because that was
17 the understanding. Those two locks, 3 and 4, are in the
18 capital plan as filed and they're mentioned in the budget
19 documents.

20 Little did we know when that money was
21 appropriated, little did we know that when that was
22 authorized, we didn't know that Locks 1 and 2 would fail
23 shortly thereafter, which they have. And they may be not so
24 bad but they may be real bad. We don't know. We haven't

1 done an in-depth analysis of it.

2 So, our plans right now are to do this,
3 to let that dam if we get the powers at be. And this is
4 dictated by market conditions and is not dictated by people.

5 I understand the Governor lost a project of his own the
6 other day that he wants real bad. So, if he lost one and
7 couldn't do anything about it, then, we can see the position
8 we find ourselves in right quick.

9 But I think if I had my druthers, I
10 would rather have the General Fund money because if we don't
11 use that authorization, we won't see it again in this
12 climate, not likely, because that General Fund money, it's
13 already an extended life, you know, over two sessions.

14 And with the condition that the State
15 General Fund is in, we're not likely to see that anymore if
16 we don't spend that or get it under contract or whatever
17 somewhere.

18 The \$18 million, if that's the amount,
19 the eighteen that will be laying there out of water fee-
20 supported bonds, that's easy to get redone because that's
21 dedicated money. It's like the road fund.

22 But you do it to be diligent and ask
23 for it because you could be bypassed if you don't ask for it
24 again; but if you ask for it again, you're probably going to

1 get that authority if you don't spend it all or spend any of
2 it. So, I'm not as worried about losing that as I am the
3 other completely.

4 So, what we did is to lay out, starting
5 with Dam 3, and we don't need any action or approval of Dam 3
6 or Lock 4 because we've already approved it. This is
7 advisory.

8 But the other things that we've laid
9 out, we're making an assumption that the General Fund money
10 would be sold in the second half of the biennium which that
11 may or may not be true anymore -- I don't know. That's the
12 way the financial planners had laid it out. We could have
13 access to the eighteen now and the seventeen and a half in
14 the second half of the biennium, in '09, July of '09.

15 They laid it out that way. So, we
16 planned accordingly. And, like I say, that may or may not be
17 true. This stuff changes on a daily basis. We have e-mails
18 and conferences every day on some of that stuff.

19 So, we wanted to make sure that we had
20 enough projects from that needs book, from the Stantec --
21 that's what they call themselves now. They don't call
22 themselves Fuller Mossbarger anymore. Stantec.

23 DR. HANEY: Do you think that sounds
24 any better?

1 MR. REEDER: Not to me. Stantec is a
2 Canadian operation, I understand, and Fuller Mossbarger
3 simply joined them.

4 But the Stantec assessment of it, what
5 I tried to do was go through there and told them to pick out
6 the largest number of priorities that would meet this \$17
7 million to use, throw a couple of others in -- I think they
8 came up with about \$20 million worth -- throw a couple of
9 others in in case we couldn't get to one of them or there was
10 some problem with feasibility, no design or extra design was
11 needed or something like that.

12 Of course, what we are told by the
13 planners is that with regard to these bond issues, they are
14 looking for things to let that are ready to go. They don't
15 want to invest a whole lot of money and time in projects that
16 have to be drug out. They want things that can go to
17 contract right now.

18 And, so, we've looked at some that
19 probably will require not a great deal of engineering, you
20 know, abbreviated types of engineering, and things that are
21 rated very high from a standpoint of priority with respect to
22 a danger of failure and things that just rank bad from a
23 standpoint of a lot of people depending on it, but they may
24 not numerically be ranked quite as high in relation to

1 something else.

2 So, that's what we want to look at.

3 And in that regard, David did the initial pass using their
4 book, and then we involved them in two meetings to go over
5 this thing and bring it to a point. So, at the last meeting,
6 Dr. Haney was there as well as the Chairman.

7 So, this is what they're going to do
8 and that's a preface to all this, and that's about as
9 succinct as I can say it. We want to spend as much of it as
10 we can and get it under contract because at present if we
11 don't do so, we will at least lose the seventeen; and then we
12 also, you know, if it became available again, if we didn't
13 spend it or have it under contract, for legitimate reasons,
14 they might not be inclined to give it to us.

15 So, with that being said, Craig.

16 MR. AVERY: I think I may need to
17 defend myself here a little bit. I have been at Fuller,
18 Mossbarger, Scott & May or FMSM since 1971. So, I have been
19 here forever.

20 So, the one thing about FMSM or Fuller
21 Mossbarger, if you ever did figure out how to say the name,
22 you would never forget it. Most people never could figure
23 out how to say the name. It was just too much of a tongue
24 tier.

1 So, as of the first of the year, we
2 merged with a company called Stantec. Half of our staff is
3 really a North American company. Half of our staff is
4 located in Canada, half of it in the U.S., about 9,000
5 employees total.

6 And there's no footprint for the
7 company here in our geography of Kentucky, Tennessee, Ohio,
8 Missouri where our offices were. So, that's just a little
9 bit of an explanation there. So, everything now that you
10 hear from us is Stantec. And I'm sorry it doesn't sound as
11 good as Fuller, Mossbarger, Scott & May, but that is what it
12 is.

13 We have been involved in the river for
14 probably fifteen or twenty years, and I was at the meeting in
15 '99, that planning session that, Steve, was one of your first
16 meetings. And, Bob, I think you were there and Don Haney was
17 there, I think, and I don't know if anybody else was on the
18 Board at that time or not.

19 That was kind of who the Board was
20 going to be, part of that, but 9 was so bad and 10 was so
21 bad, there were things that were so bad, it was like, oh,
22 we've got to work on those, and that became the focus
23 initially was 9 and 10, getting congressional money and so
24 on, but the Board always needed to know where are the rest of

1 them lining from here.

2 So, last year, you all contracted with
3 us to go look visually at everything from the standpoint of
4 the loss of pool. So, this is a visual observation. We
5 haven't done any investigation. We haven't done any
6 drilling. We haven't done anything to know or is there
7 something more detailed that we wouldn't know by just looking
8 at it. All of this is based on just a visual observation and
9 diving. We did do diving at some of these facilities.

10 So, Jeff Dingrando led that for the
11 firm, and he's going to kind of go through the details of how
12 this was put together. Then I will shut up.

13 CHAIRMAN WARE: Thank you, Craig.

14 MR. DINGRANDO: I came to the meeting
15 in June and you all had a draft, a previous draft version of
16 this table.

17 Since that time, we finished our diving
18 work. We had three sites that we lacked. We went back and
19 picked those up in the beginning of July and shifted some of
20 the rankings that you see on here just a little bit. Some of
21 them we had to make some assumptions about how bad they might
22 be under water. A couple of them turned out to be bad but
23 maybe not as bad as you might assume, and that kind of
24 shuffled things just slightly. So, this is an updated

1 version.

2 I'm just going to kind of talk about
3 how we arrived at a ranking, kind of walk you through that
4 just a little bit. Then I think David is probably going to
5 take you to some specific projects out of the table here that
6 you all have that you kind of want to gear up for in doing
7 those repairs.

8 I'll just kind of walk through this.
9 These repairs are based on, as Craig said, above- and
10 below-water visual observations. No material sampling, no
11 drilling. Anything really in depth like that would come in a
12 detailed design phrase. You may need to do some of those
13 investigations to get ready to make sure there's nothing
14 concealed in these that you couldn't otherwise see visually.

15 Like I said, we finished the diving
16 work in July. We looked at it on an element-by-element
17 basis, not as a site-by-site. So, each site we broke down
18 into pieces -- the dam, the upper gates, the abutment on the
19 far side -- all those pieces apart so we could look at
20 individual elements.

21 If there was one bad element at a site,
22 you may want to go ahead and get that one because it has a
23 risk to losing your pool. Even if everything else at the
24 site is in good condition, we didn't want to glaze over a bad

1 component. If we average everything over the whole site, you
2 may glaze over something that's a risk that you may want to
3 tackle early on instead of later in a long-term project.

4 We tried to factor in risk of loss of
5 pool. We looked at not just the physical condition of a
6 piece but if it fails, how difficult would it be for
7 emergency repairs to be made as the pool is being lost. So,
8 those kind of things factored in how expensive would it be to
9 fix it after it fails versus go ahead and fix it before it
10 fails. So, we tried to take those things into account in
11 ranking all of these.

12 And the bottom point there, our scope
13 did not ask us to factor in consequential damages such as
14 water users in the pool or infrastructure further up in the
15 pool. That was left to KRA to kind of incorporate that
16 aspect. If Dam No. 9 were to fail, for instance, we all know
17 Lexington's water supply is in that, but we just looked
18 specifically at what's right there at the structure and am I
19 going to lose that pool or not.

20 The methodology, you'll see in about
21 the middle of the page the condition index. That's a zero to
22 100 score for every element, and that's just the physical
23 condition of the element regardless of any other factors. Is
24 this piece functioning like it should be. If it's a gate or

1 if it's the dam, is it in terrible condition, is it in good
2 condition, moderate condition, etcetera.

3 Move from there to---

4 MR. AVERY: Zero is bad. One hundred
5 is good.

6 MR. DINGRANDO: That's right. Zero
7 would be completely nonfunctional, an element that has
8 already fallen over or a wall has fallen over. A hundred
9 would be saying it's in excellent condition.

10 MR. REEDER: Forty is poor, forty or
11 less.

12 MR. DINGRANDO: Forty and below is
13 rather poor shape.

14 We move from there to what we call the
15 composite score. That's a one to five score, one being bad
16 and five being good. And what that does, it moves you from
17 physical condition and takes into account these risk factors
18 associated with how likely might I lose the pool if this
19 particular piece failed.

20 So, we've got things color-coded on
21 here. Red would be the lowest composite score. We didn't
22 have anything that's colored red on here. Going then to
23 yellow. Blues and greens are the highest ranked or in the
24 best shape, lowest risk.

1 So, there's quite a few in the yellow
2 category down the lower part of the river which you may
3 expect. Those are the oldest structures. And as you get up,
4 construction methods evolved. The structures are newer. You
5 get up to the concrete dams, 11 through 14, and those have
6 fewer items that rank really poorly.

7 And then the priority rank, we just
8 took the composite score and ranked all the items you see in
9 this table here. We ranked about I think fifty elements.
10 Some of the elements were in obviously good enough shape that
11 we didn't even put them on the table here. But we took fifty
12 of them and see where they fell and ranked them one through
13 fifty.

14 And then this and from the projects you
15 all picked out, this helps you all use it as a decision-
16 making tool; and if you think about it in terms of buying
17 down risks or where is my highest risk and how many dollars
18 does it take me to knock it off, you guys, Steve and David,
19 have come up with a pretty good list of projects here.

20 And you will see that if you have
21 resources to do all of them, it would knock off a lot of the
22 high priority items on there. Some sites have several that
23 you could knock out with one construction effort and then
24 kind of a hodgepodge here and there of high priority ones

1 that you could pick off.

2 And I think with that, I'll turn it
3 over to David. He's going to talk about this one-page
4 handout here that kind of hones in on the projects that you
5 all are currently looking at.

6 MR. HAMILTON: Thank you, Jeff. You
7 should have also in your handout a one-page chart there with
8 some capital construction projects. I think Steve said it
9 best when he referred to it as kind of a road map for our
10 capital construction in the years to come.

11 We've got plenty of studies over the
12 past years that looked at the best ways to enhance our water
13 supply as far as raising pool levels and whatnot, but we
14 didn't have an up-to-date report on what were the conditions
15 of all the rest of the dams and how likely are they to fail.

16 So, I'd like to start at the top of
17 this page and just kind of work from the top down to the
18 bottom, just line item by line item.

19 And you will see there from the top,
20 we're beginning with projects that are already either
21 underway, under construction or are in our capital
22 construction plan.

23 The first item, Dam No. 9, obviously
24 that's been under construction for about a year and a half.

1 As Don mentioned in his Financial Report, we've got a little
2 over \$1 million in a pool of money to handle any
3 contingencies that might come up regarding change orders.

4 As to this date, we don't have any
5 major financial change orders. They've been talking about a
6 couple.

7 At our last Monday meeting, they
8 brought up the possibility of requesting a change order due
9 to the cost of fuel. Finance indicated at that meeting that
10 they don't have a provision for that. The Transportation
11 Cabinet does but the Finance Cabinet does not. So, it looks
12 like that would not be approved.

13 There's also been some discussion about
14 the quantities of concrete they've had to use that didn't
15 match up with the anticipated amount of concrete that they
16 thought they would be dealing with, but that is not an
17 official change order request at this time.

18 As far as the schedule goes on Dam 9,
19 they are still on schedule to be done by early spring of next
20 year -- January or February time range, if not sooner. They
21 will be pouring the arccell 6/7 possibly next week. And if
22 you will remember, there's eight cells that go all the way
23 across. So, they're making their way across the main stretch
24 of the river at a pretty good pace.

1 The next item, Dam 3 and the major lock
2 rehab at 3 and 4, as Steve mentioned when he started out,
3 that design is not really finalized but the final version of
4 it has come to our office and the Finance Cabinet for review
5 of the details.

6 Two other things that are out there
7 that were mentioned were the environmental permits. It
8 sounds like it's more a matter of just getting the actual
9 paper permits in hand. All the public review and comment
10 periods are over. There's no additional action required by
11 us to pursue the project. So, it's more a matter of just
12 getting the actual permits in hand. It doesn't sound like
13 there's any stoppage there.

14 And then the other item that was also
15 mentioned is that we need to secure the easements on the Owen
16 County side to actually access the property.

17 So, what we have on that design is we
18 have got a complete design for the dam and we've also got a
19 complete design for the rehab of Lock 3 and Lock 4.

20 For the redesign of the locks, we've
21 got two basic alternatives for each one. One involves
22 rehabbing the gates that are there. And the second
23 alternative at both locations is bringing in new steel gates.
24 And that's the item that would be up for bids here probably

1 by the end of the summer hopefully, if all goes well with the
2 permitting.

3 The next item there is the Dam 9 crest
4 gates. That has not been designed. There was some
5 preliminary environmental design work that was done, but the
6 crest gates themselves have not been designed. It does
7 appear, however, in our capital construction plan. So,
8 there's no action required on that.

9 The Lock 10 bulkhead wall, the next
10 item, would be similar to the cutoff wall we have at the
11 other lock locations. It also is in our capital construction
12 plan. And if I understand correctly, there's a pool of money
13 that's available to fund that. So, that is not an action
14 item that we need to take.

15 From this point down to the bottom of
16 the page, you're basically getting into new capital
17 construction items that aren't in our current capital
18 construction plan. So, we would be looking to the Board for
19 approval to add these pursuant to funding being available.

20 The first four items there, Lock and
21 Dam 1, Lock and Dam 2, Lock and Dam 12, Lock and Dam 13, all
22 refer to the same type of treatment. And the problem area
23 there is this far abutment.

24 It might be hard to make out from the

1 back there, but the river flow is going from left to right.
2 And the area on the far abutment is slowly washing out and
3 working its way upstream.

4 A close-up shot of that is right there
5 and you can see the erosion beginning to work upstream.
6 That's the same problem that's present at Lock and Dam 1,
7 Lock and Dam 2, Lock and Dam 12, and Lock and Dam 13. I
8 don't have quite as good a shot at the other locations.

9 Lock and Dam 2, a lot of foliage there
10 on the upper part of the picture. So, you really can't see
11 how bad it is, but you can kind of follow this line up.

12 MR. DINGRANDO: And, David, if you open
13 that other one, there's some closer-up photos of Dam 3.

14 MR. REEDER: Excuse me, Dave, one
15 minute. At those four locations, 1, 2, 12 and 13, reading
16 the report, if any of you get into the report itself, you
17 will find much more extensive expenditures and needs at those
18 locations.

19 But what I asked David to do was go
20 back and come up with some kind of intermediate solution that
21 would buy some time on those dams. So, he came up with about
22 a \$500,000 fix at each one of them, and that's been ratified
23 by Stantec.

24 So, what I'm saying, if you read some

1 of this stuff in the report itself, you will find a lot more
2 work to do. Like Dams 1 and 2, you've got about \$14 million
3 worth of work to be done, but we can't spend \$14 million
4 worth of work on those two dams. That's all there is to it.

5 But this \$500,000 at those two
6 locations will head off some of the problems that would
7 emanate from those weaknesses and keep us from having to
8 spend that big money right now on that.

9 MR. HAMILTON: To further that, you
10 have to look at both charts here. For instance, the
11 treatment on the far abutment at Dam 1, the very first item,
12 the proposed treatment to really do it up the best you can
13 would be a little over \$2.1 million to fix this location.

14 And, essentially, what we're looking at
15 is a scaled-down version similar to what we did at 3 which
16 basically involves a slight amount of slope regrading and
17 then armoring that bank there in stone and rip-rap.

18 It's certainly not an ideal fix, but
19 we're not looking to spend as much, like Mr. Reeder
20 mentioned, \$14 million at both locations, Dam 1 and 2. So,
21 it's a scaled-back, stopgap version to basically seal up this
22 problem area.

23 And, again, if you will look on the
24 chart that Jeff went over, the dam far abutment at Dam No. 1

1 was their highest rank in priority of all the elements they
2 investigated. So, basically that's the highest risk of loss
3 of pool.

4 And you have a similar situation at 2,
5 12 and 13. They don't rank quite as high. Dam 2 far
6 abutment ranks as fifth highest priority. The abutment at
7 Dam 12 is the thirteenth highest priority, and Dam 13's
8 abutment is the seventeenth highest priority. But you would
9 be looking at an average of about \$500,000 per location.

10 The next item is Dams 6, 7 and 8.
11 These items don't rank quite as high. The ranking on the
12 sheetpiling that exists behind Dam No. 6 ranks as number
13 sixteen. The sheetpiling at Dam No. 7 ranks as high as
14 number four. And the sheetpiling at 8 ranks as number
15 fourteen.

16 So, not quite as high as the far
17 abutment rankings, but the other thing that's involved here
18 is you've got water supply intakes in all of those pools.
19 Dam No. 6 creates a pool of water for Wilmore. Dam 7 holds
20 back the water for Harrodsburg. And Dam 8 holds back the
21 water for Nicholasville and Lancaster.

22 At each of these locations, we're
23 basically looking to do a project similar to what's seen in
24 this series of photographs which involves driving a new row

1 of sheetpiling behind the existing dam.

2 And as you can see at the bottom right
3 corner, this is from the 1993 repairs at Dam No. 5. You
4 begin by driving the sheetpiling upstream of the dam,
5 excavating the area in between the sheetpiling and the
6 existing dam, filling that with a rock fill, and then capping
7 it. You can see the rebar installed there for the final
8 placement of the cap, the material that would connect the
9 existing dam to the new row of sheetpiling, as can be seen in
10 this picture.

11 So, we would be looking at doing that
12 at Dams 6, 7 and 8. I would probably rank 7 and 8 a little
13 bit higher than 6 right now. Condition-wise, 7 is the worst
14 of the three. It has a condition index of 21 which is
15 basically at the very bottom of the poor category. A 20 to
16 39 rates as a poor. So, if it had been a 10 to a 19, that
17 would be very poor. So, it's the worst condition of the
18 three locations.

19 Lock and Dam 6 is the next. It's got a
20 condition of 40, whereas Dam 8 has a condition of 65, but I
21 would put Dam 8 ahead of 6 due to the greater reliance as far
22 as water supply intakes go, with Nicholasville and Lancaster
23 both relying on it.

24 MR. REEDER: Plus we've had a history

1 of problems there -- leakage. Back when you were on the
2 Board before, Dr. Haney, we spent a good deal of money up
3 there grouting. There's a lot of caverns and porous material
4 in that thing, and some of it may have been caused by that
5 very problem right there.

6 MR. HAMILTON: Yes. And typically
7 during a drought, 8 gets hit some of the hardest because
8 you've got a large intake in Kentucky American in the pool
9 above in 9. And, so, when you get a low-flow situation, you
10 get a very small amount, if any, going over and through Dam
11 9. And, so, 8 kind of feels the brunt of that.

12 MR. REEDER: If water ceases to go over
13 Dam 8 and they have a water quality problem, it's harder to
14 treat it -- a lot of algae in it and all kinds of things.

15 MR. HAMILTON: You can see on that same
16 chart the costs associated with those three items. For Dam
17 6, it would be \$1.75 million. Dam 7 would be \$3 million.
18 That also includes a little bit of work on the wing wall that
19 attaches to the hydro plant. And then at Dam 8 would be just
20 over \$2.5 million.

21 The last four items on there are in
22 regards to Locks 1 and 2. In referring to the large table,
23 the gates at Lock 1 are the seventh highest risk or priority
24 rank. The gates at Lock No. 2 are the eighth highest risk

1 which are pretty much in line with Locks 3 and 4. Lock 3 is
2 the ninth rank, and Lock 4 is tenth ranked.

3 Condition-wise, they all have a
4 condition of 35 which again puts it in the poor category
5 which is stated as serious defects in at least some portions
6 of the structure. Failure of an element seems imminent under
7 current conditions.

8 Again, as was mentioned, we don't have
9 any detailed design for 1 and 2. We did have Stantec and
10 Bergmann basically do a one- to two-day visit to the site.
11 Certainly, they had some expertise on it because they were
12 already looking at 3 and 4, very similar structures.

13 They basically gave us a windshield
14 estimate of what it would cost to repair those, and that's
15 what those last four items are.

16 The first two are basically, again, a
17 very stop-gap measure. And I know Earl has warned me against
18 I guess the success of trying to do the repair work of the
19 locks without dewatering which basically would involve taking
20 the gates off, renewing the timbers and trying to get
21 everything to match up without having the ability to actually
22 work in the dry.

23 To do that procedure, you're looking at
24 a little over a million and a half dollars, and that's very

1 basic, renewing the essential items, the wood timbers on the
2 gates primarily, maybe a little bit of service to the
3 anchorages.

4 Again, the success -- it's been done by
5 the Corps. I know Stantec has talked to them a little bit in
6 the past. They've done it on I know Lock 7 and it was
7 successful. But, again, as Earl has told me, it's not an
8 ideal situation.

9 The last two items would be if they are
10 repaired at a similar level to what we are doing at Locks 3
11 and 4 where you're dewatering, you're redoing a structural
12 rehab, repainting the gates, major electrical work as far as
13 upgrading your mechanical devices that operate the locks.

14 And for each of those locations, you're
15 looking at about \$6.1 million which is a little bit more
16 expensive than what we're looking at at 3 and 4.

17 One item that's not on here, and I
18 think it should be considered, is if you're not going to do
19 any kind of rehab to the locks, you've got to be looking at
20 securing those in some way, whether that means a permanent
21 closure or be it a cutoff wall similar to what we have at the
22 other locks because, again, Lock 1 and Lock 2 rank as the
23 seventh and eighth highest priority rank on all the elements
24 that the Stantec report looked at.

1 So, those are the recommended
2 construction projects that we picked out. And Steve and I
3 have met with Stantec several times to kind of hash that out
4 and that's kind of the list that we came up with that
5 addresses a lot of the highest priority items that came out
6 of this report.

7 One thing I talked to Steve about, too,
8 is that you will notice on your table, everything should be
9 marked draft. So, any kind of decision we make should
10 probably have the contingency on it, assuming that there's no
11 significant changes in the report. We don't expect any major
12 changes other than wording here and there; but if there are
13 any changes, there should be a contingency in there to adjust
14 our capital construction.

15 MR. REEDER: Technically, it's still a
16 draft in terms of a working document. It could be changed,
17 but I don't think they're going to change it.

18 MR. HAMILTON: Any questions on that or
19 do you want to get into discussion?

20 MR. REEDER: I'm going to need
21 approval. In case all things go well during the rest of this
22 biennium, I'm going to need approval.

23 I don't need approval to spend money on
24 Lock 3 and Lock 4. I don't need approval for that dam for

1 sure up there at 3. I don't need approval for the crest gate
2 design at 9 because that's already been approved. The
3 funding would have to come out of some more of these pools
4 here, or these two pools of money.

5 I think one thing we might have
6 misstated was the project at 10, that thing sits separate.
7 And as David said, that money is already there, but the
8 project itself, I don't have any direct authority to fix
9 that.

10 The importance of fixing No. 10 is
11 this. The Corps of Engineers started the project. The
12 project we're working on is subject of another meeting.

13 I won't go into that today except to
14 say this, that the project at 10, of course, includes a new
15 dam and a raise, but the Corps of Engineers operates so slow
16 that they threw in a million, a million and a half dollars
17 worth of what they call near-term work to shore it up in case
18 it fell in before they got through with it.

19 And, so, contrast that with Dam 9
20 without them and we've already designed and built that thing,
21 and after they got started on this thing, we're about done
22 with it. But be that as it may, we'd like to have their
23 money, but they did not have enough money to finish the
24 near-term solutions.

1 And they have identified, the Corps of
2 Engineers identified the lock chamber as being a high-risk
3 situation. The way to cure that is to put a cutoff wall in
4 it, a concrete barrier in front of it. It's been closed
5 forever anyway. Nothing works on it. The valves are rusted
6 out on it and everything else.

7 And there's another reason for putting
8 the cutoff wall in. When we put cutoff walls in, what we do
9 nowadays is that--well, the Corps didn't do them on the first
10 ones they did before we took over 11, 12, 13 and 14.

11 But every one that we have done since
12 I've been there, we put a control valve in it so we can pass
13 water between pools because we have a valve operating plan
14 that is a mathematical computerized model that tells you what
15 to release under what conditions.

16 There's one place you can't release it.
17 Of all places in the world, you cannot release it from Pool
18 10 into 9 where Lexington gets their water.

19 And, so, what we would have there if we
20 put that cutoff wall in is a control valve, a mining valve as
21 they call it, so that we could, if we have a drought worse
22 than 1999 or 2007 where it almost ceased to go over, and if
23 it ever dropped below that, then Lexington would be in real
24 trouble, and this would give us some relief.

1 You can't mine it too much because
2 you've got East Kentucky Power in Winchester sitting back
3 here which is one of the reasons that I would like to do
4 this. I'd like to put this cutoff wall in because it's a
5 security problem for those pools back there.

6 East Kentucky Power Company uses it for
7 all their cooling. If they can't cool, they've got to shut
8 down that plant and buy that power off of the grid, if they
9 can get it, and it will be sky high to every customer in
10 Southeastern Kentucky, including where I live over in
11 Lawrenceburg. We get our power from over there.

12 And, so, it's a very far-reaching
13 effect if that ever happened. And the City of Winchester is
14 expanding their plant now and they've got all kinds of needs
15 because they're growing real fast over there.

16 So, I don't think we're in a position
17 of not following that recommendation until we can get the
18 federal funding worked out on that dam over there. And
19 that's why I would like to spend about \$500,000 for that
20 cutoff wall. And that's kind of a guess but that's a good
21 educated guess.

22 And it may need about another quarter
23 million dollars worth of struts to hold it up because it sits
24 out--it's not like this lock over here. It sits out in the

1 river and it has no land support wall. And one of the things
2 pointed out by the Corps was that it has stability problems
3 in it.

4 CHAIRMAN WARE: The Corps had proposed
5 putting derrick stone, but Jeff pointed out the other day
6 that they're proposing struts because we want the valve to be
7 able to transfer water through there.

8 MR. REEDER: Right. The stone would
9 impede that, and the struts would do the same thing and be a
10 little bit cheaper, too. So, we may not be talking about
11 that much money, but we've got the cash for that. It does
12 not compete with any of the rest of this stuff.

13 DR. HANEY: Do you need approval?

14 MR. REEDER: I need approval on that
15 one.

16 CHAIRMAN WARE: How do we want to fight
17 this off, say working from this one sheet? Do we want to
18 look at those second two categories, the construction of the
19 crest gates?

20 MR. REEDER: The construction of the
21 crest gates would not be part of this. The design only.

22 CHAIRMAN WARE: Just the design.

23 MR. REEDER: Yes, because that's too
24 much money. We would deplete that real quick.

1 CHAIRMAN WARE: So, as a separate item,
2 do we want to approve the near-term work at 10?

3 MR. REEDER: Do that as a separate
4 item, yes, sir.

5 CHAIRMAN WARE: And make a decision on
6 how we incorporate this into our order of priorities?

7 MR. REEDER: Yes. What I think is we
8 need some flexibility in picking this stuff out because if we
9 get into using the General Fund money particularly, we're
10 going to have to spend it, we're going to have to use it, and
11 we don't need to have anything that's tied up in plans.

12 The Financial Management Office has
13 told us that any approvals that they did, they give priority
14 to agencies that could move right to construction with stuff.
15 And if we could have gotten something on here that might
16 require more design than what it looks like, then, we will
17 gloss over that.

18 I want to point out that while all this
19 stuff is rated poor, none of them at this point can be
20 declared an emergency. It may last five years. It may last
21 until tomorrow or the next flood. But sooner or later,
22 you're going to have to address this stuff because it is
23 going to fail.

24 So, we're just trying to provide a list

1 of projects that we could maneuver through and utilize our
2 money. And what we don't do, assuming we get the money, what
3 we don't do we roll into our longer-range plan past the
4 biennium in some order.

5 MAYOR MILLER: On the \$17.5 million
6 General Fund dollars, what's the process of how we access it,
7 or is it just laying there waiting on us to---

8 MR. REEDER: No. It's in question. I
9 mean, it's like the other pool of bond money. It's in
10 question. I mean, there's not any guarantees that these
11 financial markets are going to let the State do anything.
12 So, we could be sitting here this time next year.

13 MAYOR MILLER: But our main need, once
14 we get the approvals, is Dam 3?

15 MR. REEDER: Dam 3 from one pool or the
16 other, one set of money or the other because it's ready to
17 go.

18 DR. HANEY: Would it be legitimate to
19 give blanket approval upon your discretion?

20 MR. REEDER: I would recommend blanket
21 approval of the list of projects. And before we commence any
22 actual expenditures, come back to the Board and advise the
23 Board which ones we want to pick out.

24 MAYOR MILLER: With the exception of

1 the ones that we've already---

2 MR. REEDER: Yes, sir. It includes any
3 of these, any and all of these things.

4 And the three things that I said before
5 that are already in the capital plan and they are referenced
6 in the budget document is Dam 3, Lock 3 and Lock 4.
7 Technically, they don't require approval. You can take them
8 out of there if you want to because they're already approved.

9 MAYOR MILLER: Well, I'll make that
10 motion.

11 DR. HANEY: Second.

12 CHAIRMAN WARE: The motion is to
13 formally adopt this as a blueprint of priorities, pending
14 availability of the funding.

15 MR. REEDER: Exactly.

16 CHAIRMAN WARE: Now, does that
17 incorporate the work at 10 since it's listed here or should
18 we do something separate on that?

19 MR. REEDER: Well, it is listed in
20 here. So, we won't have to have anything separate on it.

21 CHAIRMAN WARE: So, just incorporate
22 that?

23 MR. REEDER: Yes, incorporate it into
24 it, yeah. The only difference between it and the rest of

1 them, we definitely have money for that.

2 MAYOR MILLER: That's this same pot of
3 money we did the other valves and stuff with, right?

4 MR. REEDER: Yes, basically.

5 CHAIRMAN WARE: Okay. Mike has made
6 the motion and Don seconded it to adopt this as the Board's
7 blueprint for upcoming projects, pending availability of
8 funding. Does everybody understand the motion?

9 MR. CHRISTOPHER: And we'll come back
10 to the Board when we receive funding in order to prioritize
11 which one of these we can do?

12 CHAIRMAN WARE: Yes. Any discussion on
13 the motion?

14 MR. MITCHELL: Does that provide Mr.
15 Reeder the authority he needs, that wording?

16 MR. REEDER: Yes.

17 DR. HANEY: Call for the question.

18 CHAIRMAN WARE: All those in favor, let
19 it be known by saying aye. Any opposition by a like sign.
20 Motion carries.

21 MR. CHRISTOPHER: Compliments to staff
22 and Stantec for all their work.

23 CHAIRMAN WARE: Will we get copies of
24 this final documentation?

1 MR. REEDER: Yes.

2 CHAIRMAN WARE: Steve, do you have
3 anything for a Director's Report?

4 MR. REEDER: No. I believe I'm going
5 to pass.

6 CHAIRMAN WARE: I have several things
7 we need to discuss. Sue Ann wants me to tell you all that
8 she has, I guess because of competition for facilities, gone
9 ahead and made reservations for a December meeting. That's
10 not to say that we're obviously not going to meet before
11 then, but put it on your calendar for December 12th. We will
12 be having a Board meeting at the Capital Plaza Hotel, the
13 meeting starting at one and a lunch to be served at noon.

14 And I really have nothing to add to
15 that. Is there any other business that the Board members
16 would like to bring up at this time?

17 Anybody in the audience that hasn't had
18 a chance to address any issues that would like to address the
19 Board?

20 If not, plan on hearing from Sue Ann
21 with regard to the Parks and Rec Subcommittee that will be
22 meeting fairly soon. And I'll take a motion to adjourn this
23 meeting.

24 DR. HANEY: Will you be making new

1 committee assignments to replace the old members?

2 CHAIRMAN WARE: We've done that for the
3 Parks and Rec. I'll tell you what. Committee assignments
4 weren't incorporated in that mail-out this month. It was
5 just the membership.

6 To the extent that you know current
7 committee assignments, Sue Ann, could you provide that to
8 Board members and let them use that, particularly for the new
9 members. And, Mike, I don't think you've had a chance to
10 decide what subcommittees you wanted to be on yet other than
11 this one today.

12 MS. ELLISTON: We actually need to sit
13 down and go over who wants to be on what.

14 CHAIRMAN WARE: For your all's
15 information, Glenn has consented to chair our Finance and
16 Legal Affairs Subcommittee.

17 MR. MITCHELL: I'll be glad to do that,
18 Mr. Chairman.

19 CHAIRMAN WARE: I'll put it this way.
20 We can sit down and Steve and I can look at the subcommittee
21 composition. In the interim, if there's anything that you
22 all particularly desire to be a member of, Don.

23 DR. HANEY: Well, if Sue Ann could just
24 send out the current committee structure and we can look at

1 it and maybe have some preferences, we can make those known.

2 CHAIRMAN WARE: And, Ted, if there's
3 something that you would particularly want to serve on, you
4 all can communicate that with Sue Ann and we can use that in
5 our deliberations and we can maybe finalize that by the next
6 meeting, but we do need to restructure our subcommittees.

7 MR. COLLINS: Move to adjourn.

8 CHAIRMAN WARE: I have a motion to
9 adjourn.

10 MR. CAINES: I'll second it.

11 CHAIRMAN WARE: We're adjourned.

12 (MEETING ADJOURNED)

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STATE OF KENTUCKY
COUNTY OF FRANKLIN

I, Terri H. Pelosi, a notary public in and for the state and county aforesaid, do hereby certify that the foregoing pages are a true, correct and complete transcript of the proceeding taken down by me in the above-styled matter taken at the time and place set out in the caption hereof; that said proceedings were taken down by me in shorthand and afterwards transcribed by me; and that the appearances were as set out in the caption hereof.

Given under my hand as notary public aforesaid, this the 28th day of August, 2008.

Notary Public
State of Kentucky at Large

My commission expires February 10, 2009.